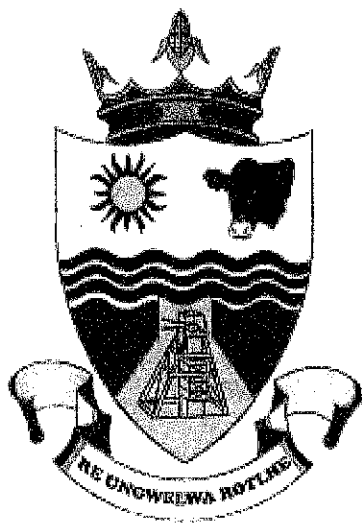




JOE MOROLONG
LOCAL MUNICIPALITY

JOE MOROLONG LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

**JOE MOROLONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOT THE YEAR ENDED 30 JUNE 2014**

Grading of Local Municipality	Low Capacity Municipality
Category	Category B Municipality as defined by the Municipal Structures Act Nr. 117 of 1998
Municipal Manager	Mr. T. M. Bloom
Chief Financial Officer (CFO)	Mrs. B. D. Motlhaping
Business Address	D320 Cardington Road Churchill Village 8474
Postal address	Private Bag X117 Mothibistad 8474
Bankers	Standard Bank / ABSA Bank
Auditors	Auditor General South Africa
Telephone number:	(053) 773 9300
Fax number:	(053) 773 9350
E-mail address:	bloomt@joemorolong.gov.za
Web address	www.joemorolong.gov.za

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General information

Legal form of entity	Local Municipality
Demarcation code	NC 451
Nature of business and principal activities	Local Municipality
Municipal Council Members	
Mayor	Cllr. M. D Moremi
Speaker	Cllr. M. Pitso
Chief Whip	Cllr. E. Leshope
Executive Members	Cllr. B.M. Mbolekwa
	Cllr. N. Selebalo
	Cllr. K. Masiapoe
	Cllr. B. Matlhomantsho
	Cllr. T. Mokgoje
	Cllr. S. Segano
	Cllr. W. Jordan
	Cllr. J. Freedman
	Cllr. M. Tihelo
	Cllr. T. Tshipo
	Cllr. K. Ditshetelo
	Cllr. N. Mokwene
	Cllr. O. Kaotsane
	Cllr. S. Ortel
	Cllr. K. Shuping
	Cllr. S. Matshidiso
	Cllr. G. Sephecolo
	Cllr. K. Modise
	Cllr. E. Molawa
	Cllr. G. Moriri
	Cllr. D Kubang
	Cllr. P. Segaecho
	Cllr. S. Moagi
	Cllr. H. Kgopodithata
	Cllr. D. Josop
	Cllr. K. Teteme
Ward Councillors	
	Cllr. K.J. Masiapoe
	Cllr. V. Jordan
	Cllr. K. Shuping
	Cllr. G Moriri
	Cllr. N Mokweni
	Cllr. T Teteme
	Cllr. O. Kaotsane
Council committees	
1. Finance, Human Resources and Administration	
Chairperson	
Committee Members	
	Cllr. E Leshope
	Cllr. E Molawa
	Cllr. P Segaecho
	Cllr. J. Segano
	Cllr. K. Ditshetelo
	Cllr. P. Matlhomantsho
	Cllr. T Mokgoje
2. IDP, Planning and Development	
Chairperson	
Committee Members	
	Cllr. M. Mbolekwa
	Cllr. O. Kgopodithata
	Cllr. D. Josop
	Cllr. T. Tshipo
	Cllr. J Modise
	Cllr. M. Masego
3. Infrastructure	
Chairperson	
Committee Members	

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4. Community Services

Chairperson

Committee Members

Cllr. N. Selebalo

Cllr. S. Ortel

Cllr. G. Sephekolo

Cllr. S. Matshidiso

Cllr. J. Freedman

Cllr. D. Kubang

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Approval of annual financial statements

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

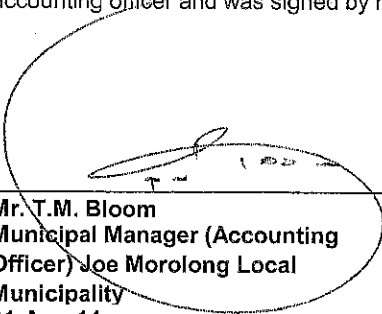
The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements, which have been prepared on the going concern basis, were approved by the accounting officer and was signed by him:



Mr. T.M. Bloom
Municipal Manager (Accounting
Officer) Joe Morolong Local
Municipality
31-Aug-14

1. Presentation of Audited Annual Financial Statements

The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board

These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand

A summary of the significant accounting policies, which have been consistently applied, except where an exemption or transitional provision has been granted, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The municipality reassesses the useful lives and residual values of property, plant and equipment, investment property and intangible assets on an annual basis. In reassessing the useful lives and residual values of property, plant and equipment, investment property and intangible assets management considers the condition and use of the individual assets, and base it on industry knowledge, to determine the remaining period over which the asset can and will be used and the residual value

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow municipality; and
- the cost of the item can be measured reliably

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site in which it is located

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1.2 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is

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Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by

major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are

Subsequently all property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
Buildings	
Improvements	25 - 30
Plant and machinery	
Specialist plant and equipment	10 - 15
Other plant and equipment	2 - 15
Furniture and fixtures	
Office equipment	3 - 15
Furniture and Fittings	5 - 15
Motor vehicles	
Specialist vehicles	10 - 15
Other vehicles	5 - 15
Infrastructure	
Roads and paving	10 - 100
Pedestrian malls	15 - 30
Electricity	15 - 60
Water	15 - 100
Sewerage	15 - 60
Community	
Community facilities	25 - 30
Recreational facilities	15 - 30

1.2 Property, plant and equipment (continued)

Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

Incomplete construction work

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Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Finance leases

Assets capitalised under finance leases are depreciated on their expected useful lives on the same basis as property, plant and equipment controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Infrastructure assets

Infrastructure assets are assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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it is technically feasible to complete the asset so that it will be available for use or sale.
there is an intention to complete and use or sell it.
there is an ability to use or sell it.
it will generate probable future economic benefits or service potential.

there are available technical, financial and other resources to complete the development and to use or sell the asset.

the expenditure attributable to the asset during its development can be measured reliably.

1.3 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an

indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Capitalised development costs are recorded as intangible assets and recognised from the point at which the asset is ready for use on a straight line basis over its useful life, which is between 3 and 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period. However, such intangible assets are subject to an annual impairment test.

Development assets are tested for impairment annually in accordance with GRAP 102. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

1.4 Financial instruments (continued)

Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

It is settled at a future date.

A financial asset is:

cash;

a residual interest in another entity; or

a contractual right to:

receive cash or another financial asset from another; or

exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity

A financial liability is any liability that is a contractual obligation to:

deliver cash or another financial asset to another entity; or

exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans and receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

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Class	Category
Long term liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Financial assets

Hold-to-maturity investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest rate method less any impairment, with interest recognised on an effective yield basis.

Financial assets at fair value are initially and subsequently, at the end of each financial year, measured at fair value with the gain or loss being recognised in the statement of financial performance.

Available-for-sale assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the statement of financial performance.

Financial liabilities held at amortised cost are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the statement of financial performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired

1.4 Financial Instruments (continued)

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the statement of financial performance even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from net assets and recognised in the statement of financial performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in statement of financial performance. Impairment losses recognised in the statement of financial performance for an investment in an equity instrument classified as available-for-sale are not reversed through the statement of financial performance.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the statement of financial performance, the impairment loss must be reversed, with the amount of the reversal recognised in the statement of financial performance.

Financial Assets carried at amortised cost

Accounts receivable encompass long-term debtors, consumer debtors and other debtors.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

An allowance for impairment of accounts receivable is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to shortterm receivables are not discounted where the effect of discounting is

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.4 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived;

the entity transfers to another party substantially all of the risks and rewards of ownership of the financial

or

the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The municipality transfers a financial asset if either it transfers the contractual rights to receive the cash flows of the financial asset or it retains the contractual rights to receive the cash flows of the financial asset.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the statement of financial performance.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

1.5 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
distribution at no charge or for a nominal charge; or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

1.6 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development.

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

1.6 Inventories (continued)

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the first-in-first-out method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Other Arrangements

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any writedown of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.7 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor

recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by

1.7 Construction contracts and receivables (continued)

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of a cash-generating asset is the higher of its fair value less costs to sell and its value in use

1.8 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal

1.9 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined. The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.10 Employee benefits

Short-term employee benefits

non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the statement of financial position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

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The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.10 Employee benefits (continued)

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are

Provincially-administered defined benefit plans

The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit pension plans

The municipality has an obligation to provide post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Other post retirement obligations

Long-service Allowance

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The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15,

20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be a reliable estimate can be made of the obligation.

The discount rate that reflects current market assessments of the time value of money and the risks specific

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent

Assets; and

the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.11 Provisions and contingencies (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

1.11 Provisions and contingencies (continued)

Provisions for restructuring costs

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:

The business or part of a business concerned;
The principal locations affected;

The location, function, and approximate number of employees who will be compensated for terminating their services;

The expenditures that will be undertaken; and
When the plan will be implemented.

- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Provision for environmental rehabilitation of landfill sites

The municipality provides for the rehabilitation of the landfill site based on a provision done by professional assessors.

Provision for environmental rehabilitation of landfill sites

The municipality provides for the rehabilitation of the landfill site based on a provision done by professional assessors.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Service charges

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Prepaid electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Service charges

Service charges are levied in terms of approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Prepaid electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Finance income

Rentals received

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Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant advertised tariff. This includes the issuing of licences and permits.

Revenue from agency services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

Sale of goods (including houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

The municipality retains neither continuing managerial involvement to the degree usually associate

The amount of revenue can be measured reliably;

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

1.13 Revenue from non-exchange transactions (continued)

Non exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, without giving approximately equal value to another entity in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time- proportionate basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

Other donations and contributions

Other donations and contributions are generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.13 Revenue from non-exchange transactions (continued)

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality

1.14 Borrowing costs

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established – the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use have been completed.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of a main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

- (a) this Act; or

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irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.19 Presentation of currency

These audited annual financial statements are presented in South African Rand.

Credit risk
Liquidity risk
Market risk

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a

Standard of GRAP

1.21 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

1.22 Budget information

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Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The audited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Government grants and receipts

Government grants and receipts are recognised as revenue when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

The amount of the revenue can be measured reliably; and

To the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the statement of financial performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance.

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.24 Value added Tax (VAT)

The municipality accounts for value added tax on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services except where the suppliers are specifically zero rated in terms of section 11, exempt in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The municipality accounts for VAT on a monthly basis

1.25 Events after reporting date

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Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in notes to the annual financial statements.

1.26 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.27 Change on accounting policies estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

1.28 Related parties

**JOE MOROLONG LOCAL MUNICIPALITY
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Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the municipality, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. The municipality regards all individuals at senior management as key management per the definition of the financial reporting standard.

Close members of the family of key management personnel are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed

Joe Morolong Local Municipality STATEMENT OF FINANCIAL POSITION for the year ended 30 June 2014			
		2014	2013
	Note(s)	R	Restated R
ASSETS			
Current assets			
Cash and cash equivalents		7 499 971	2 008 111
Receivables from non-exchange transactions	2	1 657 415	7 208 963
Receivables from exchange transaction	5	93 937 983	19 126 222
Inventories	6	1 311 648	1 311 648
VAT receivable	7		15 461 575
Total Current Assets		104 407 018	45 116 519
Non-current assets			
Investments		-	-
Property, plant and equipment	8	1 125 176 828	1 083 952 552
Intangible assets	9	22 626	22 626
Total Non - Current Assets		1 125 199 454	1 083 975 178
Total assets		1 229 606 471	1 129 091 697
LIABILITIES			
Current liabilities			
Payables from exchange transactions	13	(100 666 125)	(90 855 491)
Current provisions	25	(649 733)	(645 049)
Bank overdraft		(16 300 053)	(4 576 564)
Vat Payables	7	(2 549 578)	
Other current financial liabilities	24	(8 759 315)	(626 638)
Total Current Liabilities		(128 924 804)	(96 703 743)
Non-current liabilities			
Other financial liabilities	24	(2 908 900)	(3 535 992)
Provision	25	(3 326 381)	(1 551 210)
Total Non - Current liabilities		(6 235 281)	(5 087 202)
Total liabilities		(135 160 085)	(101 790 945)
Net assets		965 521 582	1 027 300 752
NET ASSETS			
Reserves		(938 494 010)	(1 065 519 743)
Accumulated surplus / (deficit)		(27 027 572)	38 218 991
Total net assets		(965 521 582)	(1 027 300 752)

Joe Morolong Local Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year 30 June 2014

		2014	2013
	Note (s)	R	Restated R
Revenue			
Revenue from exchange transactions			
Service charges	19	12 190 031	17 222 914
Rental of facilities and equipment		99 776	171 113
Other income	21	511 533	3 083 982
Interest received - investment	29	3 986 413	3 508 066
Total revenue from exchange transactions		16 787 753	23 986 075
Revenue from non-exchange transactions			
Taxation Revenue			
Property rates	20	3 370 642	6 786 385
Transfer revenue			
Government grants and subsidies	31	186 240 284	198 583 271
Total revenue from non-exchange transaction		189 610 926	205 369 656
Total revenue		206 398 679	229 355 730
Expenditure			
Employee related costs	33	(36 201 798)	(27 633 109)
Remuneration of councillors	34	(8 330 548)	(6 718 186)
Debt Impairment		51 827 324	(32 577 505)
Depreciation and amortisation expense	35	(24 306 613)	(26 169 284)
Repairs and maintenance		(30 710 432)	(8 515 195)
Finance costs		(784 572)	(95 644)
Bulk purchases	36	(11 017 950)	(8 926 462)
Grants and subsidies paid	37	(81 137 720)	(107 879 934)
General expenses	38	(38 708 798)	(49 059 403)
Total expenses		(179 371 108)	(267 574 722)
Gain / (loss) on sale of assets	39	-	-
(Impairment loss) / Reversal of impairment loss	40	-	-
Profit / (loss) on fair value adjustment	41	-	-
Inventories: (Write-down) / reversal of write-down to net realisable value	5	-	-
Surplus / (deficit) for the period		27 027 572	(38 218 991)

Joe Morolong Local Municipality CASH FLOW STATEMENT for the year ended 30 June 2014			
	Note (s)	2014	2013
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		223 009 961	100 654 963
Taxation		11 938 208	6 799 370
Sales of goods and services		16 708 698	(94 428 163)
Grants		193 274 072	181 520 594
Interest received		577 450	3 508 066
Other receipts		511 533	3 255 096
Payments		(115 610 438)	(126 391 530)
Employee costs		(36 201 798)	(35 817 586)
Suppliers		(48 474 141)	(49 059 229)
Interest paid		(784 572)	(95 644)
Other payments		(30 149 927)	(41 419 071)
Net cash flows from operating activities	42	338 620 399	227 046 493
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(107 546 560)	(196 778 228)
Proceeds from sale of fixed assets		755 840	
Proceeds from sale of investments			
Purchase of intangibles		(300 928)	(34 357)
Decrease/(Increase) in Loans and receivables			361 731
Revaluation of assets			206 937 091
Net cash flows from investing activities		(107 091 648)	10 486 237
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings		784 572	610 890
Proceeds from finance lease liability			
Repayment of finance lease liability			
Net cash flows from financing activities		784 572	610 890
Net increase / (decrease) in net cash and cash equivalents		1 092 447	(15 861 220)
Net cash and cash equivalents at beginning of period		2 008 111	13 292 767
Net cash and cash equivalents at end of period	43	3 100 558	(2 568 453)

Joe Morolong Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2014

	Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
Balance at 1 June 2012		1 036 148 548	1 036 148 548
Changes in accounting policy			-
Correction of prior period error (Expenditure)		4 966 773	4 966 773
Restated balance		1 041 115 321	1 041 115 321
Surplus / (deficit) for the period		(38 218 991)	(38 218 991)
Balance at 30 June 2013		997 929 557	997 929 557
Correction of prior period error (Remember to include expenditure)		(4 966 773)	(4 966 773)
Restated balance		992 962 784	992 962 784
Surplus / (deficit) for the period		27 027 572	27 027 572
Balance at 30 June 2014		1 019 990 356	1 019 990 356

Joe Morolong
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	Note	2014	2013
		R	Restated R

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date Years beginning on or after	Expected Impact
GRAP 105: Transfers of functions between entities under common control	01 April 2014	No material impact
GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No material impact
GRAP 107: Mergers	01 April 2014	No material impact
GRAP 11: Consolidation – Special purpose entities	01 April 2014	No material impact
GRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	No material impact
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements		
	01 April 2014	No material impact
GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	No material impact
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	No material impact

The municipality has not early adopted the following standards and interpretations, which have been issued but are not yet effective

JOE MORCLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
2 Receivables from exchange transactions			
Gross Balances			
Rates		18 639 037	7 164 720
Electricity		4 316 526	4 483 768
Water		10 982 477	13 166 861
Sewerage		1 218 791	321 902
Refuse		1 011 406	366 416
Service debtors		99 544 213	102 604 769
		<u>36 087 237</u>	<u>128 416 435</u>
Less: Allowance for impairment			
Rates		(9 742 707)	(7 166 007)
Electricity		(2 629 198)	(3 276 478)
Water		(11 824 437)	(10 756 414)
Sewerage		(90 587)	(90 587)
Refuse		(975 606)	(217 872)
Service debtors		(16 840 962)	(87 783 876)
		<u>(41 673 466)</u>	<u>(109 290 213)</u>
Net balances			
Rates		8 896 330	(10 287)
Electricity		1 786 337	1 207 290
Water		(941 960)	2 399 448
Sewerage		1 128 224	231 335
Refuse		335 800	177 549
Service debtors		82 703 251	15 120 893
		<u>83 997 963</u>	<u>19 126 222</u>
Less: Provision for debt impairment			
Balance at beginning of the year		(109 290 214)	(58 089 223)
Contribution to allowance		51 827 524	(53 200 991)
		<u>-57 462 689,95</u>	<u>(109 290 214)</u>
6 Inventory			
Consumables		1 311 648	1 305 018
Water			6 831
		<u>1 311 648</u>	<u>1 311 849</u>

JOE MORO LONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
13th Cheque Accrual		(1 126 418)	-705 921,85
Accruals		(2 413 309)	-7 538 859,87
Accrued interest		(10 029)	-11 520 700,00
Accrued Leave Pay		(1 862 475)	-483 903,28
Debtors with a credit balance		(7 300 011)	-7 884 246,51
Deposit Received		(2 322 562)	-400,00
Other payables		(85 654 323)	-33 813 840,41
Retention		25 874	-180 313,54
Sundry Deposit		-	-688 934,80
Trade and other payables		(2 874)	-27 648 570,86
		-100 666 124,50	-80 855 491,13
7 Vat			
VAT PAYABLE			
VAT payable		(2 549 576)	-
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		(2 549 576)	
VAT RECEIVABLE			
VAT receivable			(15 461 576)
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			(15 461 576)
19 Service Charges			
Sale of electricity		4 805 404	5 177 111
Sale of water		5 316 277	10 252 714
Solid waste		838 486	652 175
Sewerage and Sanitation charges		1 429 884	1 140 914
		12 490 051	17 222 914
5 Property Rates			
Residential		277 511	231 813
Commercial		186 949	158 886
Agricultural		31 677 871	29 007 777
Less: Income forgone		(28 771 489)	(23 211 892)
		3 370 842	6 785 385

JOE MORCLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
21 Other Income			
Admin charges	-	-	141 841
Bargaining council	23 372	18 376	
Cemetery fees	-	329	
Connection fees	19 667	37 949	
Grading fees	-	23 254	
Insurance claims received	-	609 298	
Medical aid	(237 153)	292 606	
Miscellaneous income	677 844	1 901 449	
Photocopies	-	9 036	
Rental income	252	2 267	
Sale of Pre-paid water	(1 582)	9 091	
Telephone cost reclaim	29 133	(26 804)	
Tender documents	-	67 481	
		511 533	3 083 982
24 OTHER FINANCIAL LIABILITIES			
OTHER NON-CURRENT FINANCIAL LIABILITIES			
Other non-current financial liabilities		(2 908 900)	(3 535 992)
		(2 908 900)	(3 535 992)
OTHER CURRENT FINANCIAL LIABILITIES			
Other current financial liabilities		(8 759 315)	(626 638)
		(8 759 315)	(626 638)
25 NON-CURRENT PROVISIONS			
Provision for rehabilitation of landfill sites		(1 775 171)	(1 551 210)
Provision for long-service awards		(1 551 210)	(1 551 210)
Total Non-Current Provisions		(3 326 381)	(3 102 420)
Current Provision			
Provision for rehabilitation of landfill sites		(38 390)	(33 715)
Provision for long-service awards		(611 334)	(611 334)
		(649 724)	(645 049)

**JOE MORLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014	2013
19 SERVICE CHARGES			
Sale of electricity		(4 805 404)	(5 177 111)
Sale of water		(5 316 277)	(10 262 714)
Refuse removal		(838 488)	(652 175)
Sewerage and sanitation charges		(1 428 884)	(1 140 914)
Total Service Charges		(12 190 031)	(17 222 914)

29 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		3 986 413	3 508 086
Financial assets			
Other			
Total Interest		3 986 413	3 508 086

31 GOVERNMENT GRANTS AND SUBSIDIES			
Operating grants			
Equitable share		71 227 000	87 508 000
Municipal System Improvement Grant (MSG)		892 222	800 000
Finance Management Grant (FMG)		1 650 000	1 500 000
Municipal Infrastructural Grant (MIG)		55 283 000	56 479 000
Library Grant		590 000	222 600
Water Operation and Subsidy Grant		8 000 000	1 875 000
Expanded Public Works Program (EPWP)		2 495 910	5 705 335
John Tsolo District Municipality		-	-
		140 006 132	134 087 835
Capital Grant			
Rural Household Infrastructure Grant		43 435 647	56 397 643
ACIP sanitation		2 795 306	6 097 783
		46 232 152	64 495 426
		186 240 284	198 583 271
Equitable Share			
The equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of section 214 of the Constitution (Act 106 of 1996) to the municipality by the National Treasury			
Municipal Infrastructural Grant			
Balance unspent at the beginning of the year		-	9 553 161
Current - year receipts		55 253 000	80 211 543
Conditions met - transferred revenue		(562 530 000)	(69 764 704)
Other		-	-

32 Correction of prior year error

Significant restatement was required to ensure that the municipality is applying the Standards of Grap correctly. The following errors occurred and account balances were restated

- In the previous set of financial statements, for the year ended 30 June 2013, the various misstatements which have been corrected, therefore resulting in:
- an adjusted opening balance.
 - In the previous set of financial statements, for the year ended 30 June 2013, the Vat control account was misclassified and thus has been corrected in the current year resulting in an adjusted opening balance.
 - In the previous set of financial statements, for the year ended 30 June 2013, the receivables from non exchange transactions was misclassified and thus has been

The comparative amounts has been restated as follows:

Statement of financial performance

	Audited Amount	Restated Amount	Effect of restatement
Depreciation and amortisation	-28189284	(20 553 457)	5 615 827

Statement of financial position

Receivables from non- exchange transactions	11 372 687,00	7 208 863,00	(4 163 624)
Vat receivables	5284088	15 461 575	10 177 517
Property, Plant and Equipment	1081253466	1125178828	63 923 332

Defined Contribution (DC) Multi Employer Plans

2013

Full Name	Number of the municipality's employees belonging to the plan	Amount of contribution paid by the municipality for the year ending 30 June 2013
Councillors Pension Fund	28	1 121 051
Cape Retirement Fund	128	3 383 450

2014

Full Name	Number of the municipality's employees belonging to the plan	Amount of contribution paid by the municipality for the year ending 30 June 2013
Councillors Pension Fund	29	772 335
Cape Retirement Fund	143	5 012 867

JOE MOROLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 2014 2013

Grat 25 paragraph 55 requires disclosure of the amount recognised as an expense in the current year, reflecting the Municipality's contribution paid to these Defined Contribu

33 EMPLOYEE RELATED COSTS

Basic Salary	(20 894 453)	(14 380 240)
Bonus	(1 678 587)	(950 061)
Cellphone Allowance	(494 257)	(807 648)
Industrial Council Levy	(438 615)	(163 576)
Leave pay provision charge	-	1 184 047
Long service award	-	(82 060)
Medical Aid Contribution	(2 170 229)	(1 762 428)
Municipal Manager Remuneration		(895 555)
Non-pensionable allowance	(10 783)	(17 059)
Overtime	(1 512 783)	(1 056 140)
Pension Fund Contribution	(3 486 071)	(2 466 260)
Skills Development Levy	(567 738)	(215 264)
Transport Allowance	(5 108 344)	(3 434 115)
UIF	(206 597)	(188 065)
Total	(38 201 798)	(27 633 109)

Remuneration of Municipal Manager: Mr T Bloom

Basic Salary	573210,21	462 807,72
Travel	385541,28	334 500,00
Contribution to UIF, Medical and Pension Funds	0	15 747,00
Cellphone Allowance	13800	0,00
Other	141800	82 500,00
Total	1114151,47	895 554,72

Mr T. M Bloom was appointed municipal manager on 2 February 2012, and he was an active municipal manager

Remuneration of the Chief Financial Officer: Mrs B. Motlhaphe

Basic Salary	471959,96	384 959,99
Travel	216910	180 000,00
Contribution to UIF, Medical and Pension Funds	0	0
Cellphone Allowance	13800	11 000,00
Other	65000	91 842,95
Total	768779,96	667 842,94

Mrs. B. D Motlhaphe was appointed as chief financial officer on 1 June 2012, she was still the active chief financial on 30 June 2014

Remuneration of the Director Corporate Services: Mr J. Gopetse

Basic Salary	427282,94	358 415,46
Travel	218066,35	212 193,80
Contribution to UIF, Medical and Pension Funds	0	1 416,87
Cellphone Allowance	0	0
Other	1416,67	23 613,68
Total	646765,96	595 639,41

Remuneration of the Director Community Services: Mrs K. J. Mabudi

Basic Salary	479605,9	343 297,11
Travel	269214,39	202 114,74
Contribution to UIF, Medical and Pension Funds	0	0
Cellphone Allowance	21427,27	0
Other	23421,64	24 851,20
Total	793669,2	570 063,05

Remuneration of the Director Technical Services: Mr T Tlhaole

Basic Salary	394882,64	110 833,33
Travel	208981,15	56 333,33
Contribution to UIF, Medical and Pension Funds	0	0
Cellphone Allowance	11600	2 000,00
Other	180196	41 185,67
Total	795669,79	210 382,33

Remuneration of the Director Planning and Development: Mr K V Phiri

Basic Salary	553341,9	330 865,08
Travel	223999,92	189 960,06
Contribution to UIF, Medical and Pension Funds	0	0
Cellphone Allowance	0	1 416,67
Other	22400,04	22 793,56
Total	799741,86	544 775,34

Remuneration of the Mayor : Ms. M. D Moremi

Basic Salary	415376,49	290452,35
Travel	142415,79	124933,7
Contribution to UIF, Medical and Pension Funds	51266,6	60920,75
Cellphone Allowance	27536	30006
Other	4006	35672,69
Total	640623,66	532085,49

Remuneration of the Speaker: Mrs M R Pitsa

Basic Salary	317303,83	246385,6
Travel	125326,24	120711,03
Contribution to UIF, Medical and Pension Funds	49626,78	75355,01
Cellphone Allowance	10944,62	20942,7
Other	10944,62	37949,7
Total	614146,09	501324,04

JOE MOROLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
34 REMUNERATION OF COUNCILLORS			
Executive Mayor		(524 648)	(532 085)
Speaker		(655 247)	(501 324)
Councillors		(7 150 653)	(5 684 778)
Total Councillors' Remuneration		(6 330 548)	(6 718 187)
35 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		-	(26 163 965)
Intangible assets		-	(5 319)
Total Depreciation and Amortisation		-	(26 169 284)
36 FINANCE COSTS			
Borrowings		(784 572)	(95 644)
Consumer deposits		-	-
Bank overdrafts		-	-
Total Finance Costs		(784 572)	(95 644)
37 BULK PURCHASES			
Electricity		(7 002 272)	(2 193 742)
Water		(4 015 878)	(8 732 720)
Total Bulk Purchases		(11 018 150)	(10 926 462)
Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from Sedibeng			
Percentage electricity losses		0,00%	38,84%
Percentage water losses		99,66%	99,66%

40 Commitments

Authorised Capital

37 GRANTS AND SUBSIDIES PAID

Grant and subsidy paid	(81 137 720)	(107 679 934)
	(81 137 720)	(107 679 934)

(Provide details)

JOE MOROLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
38 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		(309 828)	(674 825)
Admin fees		-	-
Auditors Remuneration		(4 790 785)	(1 186 589)
Bank charges		(138 612)	(79 144)
Capacity Building		-	(137 950)
Cleaning		(73 237)	(56 376)
Conferences and delegations		(6 390)	(18 987)
Chemicals		-	(38 574)
Consulting fees		(7 954 508)	(13 123 873)
Community Development and Training		(2 286 930)	(4 327 492)
Community Participation		(578 638)	(806 868)
Departmental consumption		(1 241 337)	(6 318 622)
Entertainment		(438 927)	(458 725)
Computer Expenses		-	(47 425)
Fuel and oil		(2 198 590)	(3 192 733)
Insurance		(427 573)	-
Disaster Assistance		-	(14 488)
Indigent subsidies		(2 723 620)	(3 269 845)
Lease rental on operating leases		-	-
Licence fees - computers		(319 548)	(243 698)
Membership fees		(1 187 483)	(4 869 685)
Parking		(65 223)	(45 700)
Postage		(12 747)	(27 701)
Printing and stationery		-	(340)
Pump Operators		(1 380 400)	(1 163 126)
Small, medium and micro enterprises support		(107 650)	(96 032)
Ward Committee expense		(703 228)	11 260
Commission paid		-	-
Other rentals		-	-
Security costs		(958 695)	(798 977)
Sewerage treatment costs		-	-
Skills development levies		-	-
Stocks and material		(4 119 627)	(2 214 613)
Subscription & publication		(450 193)	(551 890)
Telephone cost		(3 281 021)	(2 863 558)
Training		(3 483)	(62 518)
Travel and subsistence		(2 933 646)	(2 983 512)
Uniforms & overalls		(29 781)	(2 188)
		(38 708 798)	(49 069 403)

JOE MOROLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
39 Commitments			
Authorised capital expenditure			
Approved and contracted for			
Property, Plant and equipment		6877472,46	29658626
The expenditure will be financed from internally generated funds and government grants			
40 Going concern			
The annual financial statements have been prepared on a going concern basis. The basis presumed the funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligation and commitment will occur in the ordinary course of business			
41 Events after reporting date			
The municipality is unaware of any events after the reporting date which required the disclosure and/or adjusting events			
42 Contingencies			
As at 30 June 2014 the municipality does not have any contingent liabilities.			
43 Disclosure on arrears by councillors			
As at 30 June 2014 none of the councillors had arrear accounts			
44 Fruitless and wasteful expenditure			
Opening Balance		870925	499199
Additions: interest and penalties		62577,06	371726
Condoned by council		-963602,06	
Closing Balances		0	870925
The interest of penalties are from Eskom and Telkom for late payments			
45 Irregular Expenditure			
Irregular Expenditure			
Opening balance		11 029 996,03	2 694 475,02
Add: Irregular Expenditure - current year			8 335 521,01
Less: Irregular expenditure condoned by council		11 029 996,03	
Closing balance		0,00	11 029 996,03
The irregular expenditure listed above arose as a result of various non-compliance to the Supply Chain Regulation as well as non-compliance to the Supply Chain Policy of the			
46 Unauthorised Expenditure			
Opening balance		201 183 197,89	148 585 085,03
Add: Unauthorised Expenditure - current year			54 619 132,86
Less: Unauthorised Expenditure condoned by council		-201 183 197,89	
Closing balance			201 183 197,89
The above unauthorised expenditure is within the votes and is as a result of overspending on various votes on the budget, therefore the total approved expenditure is overspend. This is unauthorised expenditure was tabled to council in accordance with section 23 (6) of the Budget and Reporting Regulations.			
47 Risk Management			
Capital Risk Management			
The capital structure of the municipality consist of the debt, cash and cash equivalent and equity as disclosed in the Statement of Financial Position.			
There are no externally imposed capital requirements			
There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year			
Liquidity Risk			
The municipality's risk to liquidity is a result of the future available to cover future commitments. The municipality manages the liquidity risk through an on-going review of future commitments and credit facilities.			
Interest rate risk			
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rate			
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to a fair interest rate risk. Municipality is to maintain all of its borrowings in a fixed rate instruments			
Credit Risk			
Credit risk consist mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality has only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party			

JOE MOROLONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note	2014	2013
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Trade receivables comprise a widespread customer base. The municipality does not perform an evaluation of the credit risk relating to its customers and therefore risk limits are not set.

Joe Morolong Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014			2013		
	Cost /Valuation	Accumulated Depreciation / Impairment	Carrying Value	Accumulated Depreciation / Impairment	Carrying Value	
Land	7169290,07		7 169 290		7 169 290	
Buildings						
Transport assets	10 280 570	(5 476 264)	4 804 306			
Office Equipment	2 084 841	(1 463 584)	621 256	(3 872 976)	5 786 154	
Computer Equipment	2 116 484	(1 209 315)	907 169	(1 102 324)	881 507	
Work - in progress	119 827 892		119 827 892	(842 827)	734 508	
Roads	850 000	(283 489)	566 511		61 584 015	
Other Infrastructure assets	198 516 011	(23 078 570)	175 437 441	(226 823)	623 177	
Road furniture and equipment	741 429 061	(34 918 075)	706 510 987	(15 470 252)	154 403 070	
Water reticulation				(25 232 244)	707 279 349	
Other property, plant and equipment						
Community	129 166 470	(19 834 495)	109 331 975	(899 821)	796 067	
				15 528 945	144 695 415	
			1 125 176 828	14 629 124	1 083 952 552	
Reconciliation of Property, Plant and equipment						
	Carrying amount at the beginning of the year	Additions	Revaluations	Depreciations / Impairment	Disposals	Carrying amount at the end of the year
Land	7 169 290	213 248				7 382 538
Buildings	5 786 154	621 440			463 083	4 341 223
Transport assets	881 507	82 137	9 109	1 603 288		612 147
Office Equipment	734 508	539 149		351 497		907 170
Computer Equipment	61 584 015	72 416 408	14 172 531	366 487		134 000 423
Work - in progress	623 177	8 917 468		9 685 828		(145 182)
Roads	154 403 070	28 642 687	15 470 254	23 078 570		159 967 187
Other Infrastructure assets						

Road furniture and equipment	707 279 349	711695	56 667	707 222 682
Water reticulation	-			-
Other property, plant and equipment	796 067	140868,25	275763	370 557
Community asset	144 695 415	31057891	4305549	140 389 866

9 Intangible Assets

	Cost /Valuation	Accumulated Amortisation	Carrying Value	Cost /Valuation	Accumulated Amortisation	Carrying Value
Softwares	367 226	(53 219)	314 008	53 219	(53 219)	-

Carrying amount at
the beginning of the
year

	Depreciation	Additions
Reconciliation of Intangibles	(53 219)	367 226